

**VILLAGE OF FAIRGROVE
FAIRGROVE, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2005**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Fairgrove	County Tuscola
Audit Date 3/31/05	Opinion Date 7/13/05	Date Accountant Report Submitted to State: August 8, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Weinlander Fitzhugh			
Street Address 1600 Center Avenue	City Bay City	State MI	ZIP 48708
Accountant Signature 		Date 8/11/05	

VILLAGE OF FAIRGROVE, MICHIGAN

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITORS' REPORT

July 13, 2005

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To the Honorable Village Council
Village of Fairgrove
Fairgrove, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fairgrove, Fairgrove, Michigan as of March 31, 2005 and for the year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village of Fairgrove's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fairgrove as of March 31, 2005, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of April 1, 2004.

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WEINLANDER FITZHUGH

Honorable Village Council
Village of Fairgrove
Fairgrove, Michigan
July 13, 2005

The management's discussion and analysis and budgetary comparison information, as noted in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Fairgrove. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic statements taken as a whole.

Weinlander Fitzhugh

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Village of Fairgrove presents to readers of the Village's financial statements this narrative financial information. It contains an objective overview and analysis of the financial position of the Village as of and for the year ended March 31, 2005. As management of the Village, we encourage readers to consider information contained in this discussion and the Village's financial statements, which follows this section.

Financial Highlights

- The Village's assets exceeded its liabilities at the end of the fiscal year by \$2,687,414.
- Net assets increased slightly by a total of \$17,308, or by approximately .7% of last years total net assets of \$2,670,106.
- The fund balance of the Village's General Fund decreased by \$43,931. The fund balance for the other Governmental Funds (Major Street, Local Street, and Local Street Improvement Funds) decreased by \$19,155.
- Significant expenditures for the year ended March 31, 2005 were road construction for Major Streets \$23,738 and Local Streets \$25,285. Major general fund expenditures were \$60,000 for storm sewer project and \$18,197 for fire equipment.

Financial Statements Overview

This Management Discussion and Analysis serves to introduce to the reader of the Village of Fairgrove's essential financial statements. These financial statements consist of three components as follows:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The above financial information will provide the reader with a general understanding of the Village's current financial condition. Also, this report contains supplementary information in addition to the basic financial statements which provides a more detailed understanding of the Village's finances.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to private sector businesses.

The **Statement of Net Assets** presents information on all of the assets and liabilities of the Village, with the difference between the two identified as net assets. Over a given period of time increases or decreases in net assets can serve as a useful indicator of improving or declining financial position of the Village.

The Statement of Activities show changes in net assets that occurred during the most recent fiscal year. These changes were recorded on an accrual basis, which distinguishes between the time when a financial transaction occurs and when payment is actually made. An example of accrual accounting is when debt interest payments are scheduled between the fiscal year end. The Statement of Activities will show additional interest expense for the time period between the last interest payment and the end of the fiscal year as an accrual.

The Government-wide Financial Statement, in addition to the Statement of Activities, is broken down into two Activities; Governmental Activities and Business-Type Activities. Governmental activities are primarily supported through tax and intergovernmental revenue. Business-type activities are primarily supported through user fees and charges.

Governmental activities for the Village of Fairgrove include general governmental functions, such as Administration, Village Buildings and Grounds (General government); Police and Fire (Public safety); Major Street, Local Street, Local Street Improvement, Public Works and Park (Highways and public improvements). Business-type activities include the Sewer system.

Fund Financial Statements

A fund is a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The Village of Fairgrove uses fund accounting to demonstrate compliance with legal financial requirements, like all state and local governments. All Village Funds can be categorized as either governmental or proprietary funds.

Governmental Funds account for essentially the same activities as the Governmental Activities in the Government-wide financial statements, but with a narrower focus. Governmental Funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the Government-wide statements for the Governmental Activities with that presented in Governmental Funds statements can provide useful information because the different focus to the two approaches. With the long-term focus of the Government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. To aid in the comparison, both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures and changes in fund balance show reconciliation between the Governmental Funds statements to the Governmental Activities in the Government-wide statements.

The Village of Fairgrove uses four different individual Governmental Funds. The Village considers all the funds to be major funds of the Village of Fairgrove. The funds are presented separately in the Fund Financial Statements. The Village adopts an annual appropriated budget for all its Governmental Funds.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds include an enterprise fund and an internal service fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. The Internal Service Fund is used to report activities that provide goods or services to other funds or departments of the Village.

The Enterprise Fund maintained by the Village of Fairgrove includes the sewer fund. The Village uses the Internal Service Fund to account for vehicles, and equipment activities. Because they charge fees and charges to outside users of their systems, the Enterprise Fund is included in the Business-type Activities column of the government-wide financial statements. The Internal Service Fund, which accounts for equipment and vehicle that support the Village functions, is included under the Governmental Activities column.

(Continued)

Proprietary Funds present the same information as in government-wide statements, except in more detail. The fund statements for proprietary funds provide separate information for the Sewer fund which is considered to be a major fund of the Village of Fairgrove.

The basic proprietary fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements contain additional financial information to give the reader a complete understanding of the information contained in the government-wide and fund financial statements. Although these Notes provide detailed explanation and information related to the financial statements, this information is typically easy for the reader to follow. Notes to the Financial Statements are located after the financial statements as listed in the table of contents.

Other Information

The combining and individual fund statements and schedules are presented as additional information as listed in the table of contents.

Government-wide Financial Analysis

This is the first year the Village of Fairgrove has produced government-wide financial statements. As such, data for fiscal year ending March 31, 2004 related to governmental activities is unavailable.

VILLAGE OF FAIRGROVE'S NET ASSETS March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets	\$ 298,280	\$ 95,330	\$ 393,610
Capital assets	986,967	1,352,388	2,339,355
Restricted and other assets	6,955		6,955
Total assets	<u>\$1,292,202</u>	<u>\$1,447,718</u>	<u>\$2,739,920</u>
Current liabilities	\$ 48,461	\$ 4,045	\$ 52,506
Total liabilities	<u>\$ 48,461</u>	<u>\$ 4,045</u>	<u>\$ 52,206</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 958,850	\$1,352,388	\$2,311,238
Restricted	6,955		6,955
Unrestricted	<u>277,936</u>	<u>91,285</u>	<u>369,221</u>
Total net assets	<u>\$1,243,741</u>	<u>\$1,443,673</u>	<u>\$2,687,414</u>

As shown in the Statement of Net Assets provided, the largest portion, by far of the Net Assets of the Village of Fairgrove is its investment in capital assets. The Village of Fairgrove uses these capital assets to provide essential services to citizens who live, work or visit the Village. These assets, by design, are not available for future spending. Additionally, even though these capital assets are reported net of any related debt, resources needed to repay this debt must come from other sources, as these assets cannot be used to satisfy their related obligations.

(Continued)

Activities, Governmental and Business-Type

Net assets of Governmental Activities increased by \$26,876 for the year ended March 31, 2005. This is approximately a 2.2% change from beginning net assets. The increase is due to capitalization of capital assets and a current storm sewer project. The storm sewer project expended \$60,000 for planning, testing, studying and development, and sources of funding, this amount is capitalized as construction in progress in the governmental activities statement of net assets.

Net assets of Business-type Activities decreased by \$9,568 for the year ended March 31, 2005. The amount of change is not significant as it is approximately .6% of beginning net assets.

VILLAGE OF FAIRGROVE'S CHANGES IN NET ASSETS For the year ended March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 65,297	\$ 65,613	\$130,910
General revenues:			
Property taxes	89,475		89,475
State shared revenue	116,999		116,999
Unrestricted investment earnings	8,274	2,955	11,229
Total revenue	<u>280,045</u>	<u>68,568</u>	<u>348,613</u>
Expenses:			
General government	101,505		101,505
Public safety	68,792		68,792
Highways and public improvements	82,872		82,872
Sewer		78,136	78,136
Total expenses	<u>253,169</u>	<u>78,136</u>	<u>331,305</u>
Change in net assets	<u>26,876</u>	<u>(9,568)</u>	<u>17,308</u>
Net assets - Beginning	<u>1,216,865</u>	<u>1,453,241</u>	<u>2,670,106</u>
Net assets - Ending	<u>\$1,243,741</u>	<u>\$1,443,673</u>	<u>\$2,687,414</u>

Financial Analysis of Village of Fairgrove's Funds

The Village of Fairgrove's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total is a measure of the available spendable resources as of March 31, 2005.

For the year ended March 31, 2005, the Village's governmental funds reported a combined fund balance amount of \$285,870; of this amount \$6,955 is reserved for future public safety equipment. The fund balance decrease for the current fiscal year was \$63,086. The decrease is primarily due to the storm sewer project and street projects.

General Fund Budgetary Highlights

A major difference in the original budget versus the actual budget was the cost of the storm sewer project. The general fund budget increased by \$29,300.

(Continued)

Capital Assets

The Village of Fairgrove's investment, net of related debt, in capital assets for its governmental and business-type activities combined totaled \$2,311,238. The types of assets in this category are land, buildings, machinery and equipment, park and recreation equipment, roads and sewer collection system. The Village's investment in capital assets equals over eighty-five percent (85%) of total net assets.

VILLAGE OF FAIRGROVE'S CAPITAL ASSETS March 31, 2005

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Land	\$ 11,907	\$ 107,732	\$ 119,639
Buildings	1,302,629		1,302,629
Equipment	668,656		668,656
Roads	49,023		49,023
Sewer system		2,406,453	2,406,453
Construction in progress	60,000		60,000
Accumulated depreciation	(1,105,248)	(1,161,797)	(2,267,045)
Net book value	<u>\$ 986,976</u>	<u>\$1,352,388</u>	<u>\$2,339,355</u>

The Village of Fairgrove's debt consists of a capital lease obligation for a fire pumper and chassis due October 30, 2005 in the amount of \$28,117.

Economic Factors and Future Budget Issues

For the past several years Village revenues have remained nearly the same or decreased; while expenses have increased. The Village continues to struggle with stagnant property valuations, which means very little increase in property tax revenue. The Village also relies on 30-40% of its General Fund revenue coming from state revenue sharing monies. Even a slight decrease in revenue sharing equates to budget cuts. Investment revenue has also decreased significantly with interest rates remaining very low.

The one hundred year-old storm sewer system is in need of replacement in various areas and the Village has applied for a loan through Rural Development for \$750,000, which is 10% of the Village SEV. This loan would be a 30-year special assessment on approximately 180 of the 300 Village parcels. This is a significant loan amount, not only for the Village (as it is the maximum amount the Village may borrow) but for the assessed residents, in a low to moderate income level Village, as well.

The Village has decided to re-establish its own police department, after contracting out the services to a nearby Village for the past five years. A new police vehicle has been leased and a police chief hired. In the future, the Village may be able to offer police coverage to adjacent townships.

The Village is researching a public safety millage request to take to the residents in the next year to help offset police and fire expenses. This depends on whether the storm sewer improvement project is approved, as it would not be feasible to ask for a millage request the same year as a special assessment is applied.

(Continued)

The sanitary sewer fund is improving its monetary status as the past several few years the Village has been aggressive in establishing sewer rates more commensurate with expenditures. The Village will continue to increase rates as needed since the sanitary sewer system is over 25 years old and may begin to incur more maintenance expense.

Requests for Information

This financial report is designed to give the reader a basic understanding of the Village of Fairgrove's finances. Any questions or requests for financial information contained in this report may be obtained by contacting the Village Clerk, Village of Fairgrove, 5005 Center Street, Fairgrove, Michigan 48733.

BASIC FINANCIAL STATEMENTS

VILLAGE OF FAIRGROVE, MICHIGAN

STATEMENT OF NET ASSETS MARCH 31, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash	\$ 266,544	\$ 65,210	\$ 331,754
Taxes receivable	3,859		3,859
Accounts receivable	8,212	26,456	34,668
Prepaid expenses	19,665	3,664	23,329
Nondepreciated capital assets	11,907		11,907
Capital assets	2,020,308	2,514,185	4,534,493
Less accumulated depreciation	(1,105,248)	(1,161,797)	(2,267,045)
Contruction in progress	60,000		60,000
Restricted assets:			
Cash - Fire equipment	955		955
Cash - Police equipment	6,000		6,000
TOTAL ASSETS	<u>\$ 1,292,202</u>	<u>\$ 1,447,718</u>	<u>\$ 2,739,920</u>
<u>LIABILITIES</u>			
Bank overdraft	\$ 2,475		\$ 2,475
Accounts payable	16,183	\$ 4,045	20,228
Accrued payroll taxes	1,686		1,686
Note payable - Fire apparatus	28,117		28,117
Total liabilities	<u>48,461</u>	<u>4,045</u>	<u>52,506</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	958,850	1,352,388	2,311,238
Restricted for:			
Fire equipment	955		955
Police equipment	6,000		6,000
Unrestricted	277,936	91,285	369,221
Total net assets	<u>\$ 1,243,741</u>	<u>\$ 1,443,673</u>	<u>\$ 2,687,414</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN

STATEMENT OF ACTIVITIES MARCH 31, 2005

	<u>PROGRAM REVENUE</u>		<u>NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS</u>	
	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS - TYPE ACTIVITIES</u>
	<u>EXPENSES</u>			<u>TOTALS</u>
<u>Governmental Activities</u>				
General government	\$ 101,505		\$ (101,505)	\$ (101,505)
Public safety	68,792		(3,495)	(3,495)
Highways and public improvements	82,872		(82,872)	(82,872)
Total governmental activities	253,169		(187,872)	(187,872)
<u>Business Type Activities</u>				
Sewer	78,136			(12,523)
Total business-type activities	78,136			(12,523)
Total Government	\$ 331,305	\$ -	(187,872)	(200,395)
General Revenue:				
Property taxes			89,475	89,475
State shared revenues			116,999	116,999
Unrestricted investment earnings			8,274	11,229
Total general revenues			214,748	217,703
Change in net assets			26,876	17,308
Net assets - beginning			1,216,865	2,670,106
Net assets - ending			\$ 1,243,741	\$ 2,687,414

VILLAGE OF FAIRGROVE, MICHIGAN

**BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2005**

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>LOCAL STREET IMPROVEMENT</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash	\$ 84,899	\$ 112,429	\$ 45,444	\$ 23,772	\$ 266,544
Taxes receivable	366			3,493	3,859
Accounts receivable-Other	190	5,507	2,515		8,212
Prepaid expenses	14,962				14,962
Restricted assets:					
Cash-Fire equipment purchases	955				955
Cash-Police equipment purchases	6,000				6,000
TOTAL ASSETS	<u>\$ 107,372</u>	<u>\$ 117,936</u>	<u>\$ 47,959</u>	<u>\$ 27,265</u>	<u>\$ 300,532</u>
<u>LIABILITIES & FUND EQUITY</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 12,818	\$ 128	\$ 30		\$ 12,976
Accrued payroll withholdings	1,686				1,686
Total liabilities	<u>14,504</u>	<u>128</u>	<u>30</u>	<u>-</u>	<u>14,662</u>
<u>Fund balance:</u>					
Restricted	6,955				6,955
Unrestricted	85,913	117,808	47,929	\$ 27,265	278,915
Total fund balance	<u>92,868</u>	<u>117,808</u>	<u>47,929</u>	<u>27,265</u>	<u>285,870</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 107,372</u>	<u>\$ 117,936</u>	<u>\$ 47,959</u>	<u>\$ 27,265</u>	<u>\$ 300,532</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
MARCH 31, 2005**

Total governmental fund balances \$ 285,870

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore, are not reported in the funds. The cost of the assets is
\$2,092,215 less the accumulated depreciation of \$1,105,248 986,967

Internal service fund is not included in the governmental funds. (979)

Long-term liabilities, including notes payable are not due and payable
in the current period and, therefore, are not reported in the funds. (28,117)

Net assets - governmental activities \$ 1,243,741

VILLAGE OF FAIRGROVE, MICHIGAN

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005**

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>LOCAL STREET IMPROVEMENT</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:					
Taxes	\$ 85,982			\$ 3,493	\$ 89,475
Intergovernmental	65,410	\$ 37,541	\$ 14,048		116,999
Miscellaneous	71,679	1,150	507	235	73,571
TOTAL REVENUE	<u>223,071</u>	<u>38,691</u>	<u>14,555</u>	<u>3,728</u>	<u>280,045</u>
EXPENDITURES:					
Administration	35,645				35,645
Streets		35,037	41,092		76,129
Village buildings and grounds	20,430				20,430
Police	18,862				18,862
Public works	110,126				110,126
Fire	81,939				81,939
TOTAL EXPENDITURES	<u>267,002</u>	<u>35,037</u>	<u>41,092</u>		<u>343,131</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(43,931)</u>	<u>3,654</u>	<u>(26,537)</u>	<u>3,728</u>	<u>(63,086)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in			7,696		7,696
Operating transfers out		(7,696)			(7,696)
TOTAL OTHER FINANCING SOURCES (USES)		<u>(7,696)</u>	<u>7,696</u>		<u>-</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(43,931)</u>	<u>(4,042)</u>	<u>(18,841)</u>	<u>3,728</u>	<u>(63,086)</u>
FUND BALANCE-APRIL 1	136,799	121,850	66,770	23,537	348,956
FUND BALANCE-MARCH 31	<u>\$ 92,868</u>	<u>\$ 117,808</u>	<u>\$ 47,929</u>	<u>\$ 27,265</u>	<u>\$ 285,870</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
MARCH 31, 2005**

Net change in fund balance - governmental funds **\$ (63,086)**

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which
capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 126,097	
Depreciation expense	<u>(62,310)</u>	63,787

Fire apparatus repayments affect long-term liabilities
in the *Statement of Net Assets* and does not affect the
Statement of Activities. 26,776

The net revenue (loss) of certain activities of internal service fund is reported
with governmental activities. (601)

Change in net assets of governmental activities **\$ 26,876**

VILLAGE OF FAIRGROVE, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
MARCH 31, 2005

	<u>BUSINESS - TYPE ACTIVITIES</u> <u>ENTERPRISE FUND</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u> <u>INTERNAL</u> <u>SERVICE FUND</u>
	<u>SEWER</u>	
<u>ASSETS</u>		
Current assets:		
Cash	\$ 65,210	
Accounts receivable	26,456	
Prepaid expense	<u>3,664</u>	\$ 4,703
Total current assets	<u>95,330</u>	<u>4,703</u>
Noncurrent:		
Capital assets	2,514,185	138,120
Less accumulated depreciation	<u>(1,161,797)</u>	<u>(114,965)</u>
Total noncurrent assets	<u>1,352,388</u>	<u>23,155</u>
TOTAL ASSETS	<u>\$ 1,447,718</u>	<u>\$ 27,858</u>
<u>LIABILITIES</u>		
Current liabilities:		
Bank overdraft		\$ 2,475
Accounts payable	\$ <u>4,045</u>	<u>3,207</u>
Total current liabilities	<u>4,045</u>	<u>5,682</u>
Total liabilities	<u>4,045</u>	<u>5,682</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,352,388	23,155
Unrestricted (Deficit)	91,285	(979)
Total net assets	<u>\$ 1,443,673</u>	<u>\$ 22,176</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN

**STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2005**

	<u>BUSINESS - TYPE ACTIVITIES</u> <u>ENTERPRISE FUND</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u> <u>INTERNAL</u> <u>SERVICE FUND</u>
	<u>SEWER</u>	
OPERATING REVENUE:		
Charges for services	\$ 65,613	\$ 36,344
OPERATING EXPENSES:		
Salaries	3,327	12,032
Employee benefits	244	4,077
Administrative fees		1,093
Contracted services	3,631	
Office supplies	747	
Operating supplies	102	1,090
Gas & oil		2,048
Insurance	1,087	1,470
Professional fees	1,288	1,288
Utilities	2,784	
Repairs and maintenance	639	3,610
Equipment rental	546	2,850
Operations board expense	13,395	
Depreciation	<u>50,346</u>	<u>7,387</u>
TOTAL OPERATING EXPENSES	78,136	36,945
OPERATING (LOSS)	<u>(12,523)</u>	<u>(601)</u>
NONOPERATING REVENUE :		
Penalties and interest	<u>2,955</u>	
TOTAL NONOPERATING REVENUE	2,955	
CHANGE IN NET ASSETS	(9,568)	(601)
TOTAL NET ASSETS - BEGINNING	1,453,241	22,777
TOTAL NET ASSETS - ENDING	<u>\$ 1,443,673</u>	<u>\$ 22,176</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2005**

	<u>BUSINESS - TYPE ACTIVITIES</u> <u>ENTERPRISE FUND</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u> <u>INTERNAL</u> <u>SERVICE FUND</u>
	<u>SEWER</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 73,542	
Receipts from interfund services		\$ 36,344
Payments to suppliers of goods and services	(32,535)	(14,176)
Payments to interfund services	(546)	
Payments to employees	(3,327)	(13,125)
Payments for fringe benefits	(244)	(4,077)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>36,890</u>	<u>4,966</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital assets purchased		(2,726)
Repayment to General Fund	(9,013)	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(9,013)</u>	<u>(2,726)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	2,955	
NET INCREASE IN CASH	<u>30,832</u>	<u>2,240</u>
CASH (OVERDRAFT) - APRIL 1	34,378	(4,715)
CASH (OVERDRAFT) - MARCH 31	<u>\$ 65,210</u>	<u>\$ (2,475)</u>
Reconciliation of operating income (loss) to net cash cash provided by operating activities:		
Operating (loss)	\$ (12,523)	\$ (601)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	50,346	7,387
(Increase) decrease in current assets:		
Accounts receivable	7,929	
Prepaid expense	(3,664)	(4,703)
Increase (decrease) in current liabilities:		
Accounts payable	(5,198)	2,883
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 36,890</u>	<u>\$ 4,966</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Village's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village has elected to implement the general provisions of the Statement in the current year.

Reporting Entity

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

Akron-Fairgrove School District - This potential component unit has a separate elected board and provides services to local residents of the Akron and Fairgrove, Michigan area. The Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Board of Operations Akron-Fairgrove Wastewater - The Village of Fairgrove and the Village of Akron jointly appoint the board members of the Board of Operations. The Board of Operations is a separate reporting entity with a separate financial statement issued annually. Although the Board of Operations is not considered a component unit it is considered a jointly governed organization by the Village of Fairgrove and the Village of Akron. The Board operates a raw sewage treatment facility (lagoon) for the Village of Fairgrove and the Village of Akron. The Board of Operations generates revenue by monthly user charges based on gallons pumped by the two Villages. The Village of Fairgrove user fees amounted to \$13,395 for fiscal year ended March 31, 2005. The Villages do not have the ability to exercise influence or control over its daily operations. The related party payable for the fiscal year ended March 31, 2005 is \$3,724 and is included in the Sewer Fund Accounts Payable.

GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety and general administrative services are classified as governmental activities. The Village sewer system is classified as a business-type activity.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF FAIRGROVE, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village accounts for the Major Street, Local Street and Local Street Improvement in special revenue funds.

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

The Village reports the following major proprietary funds:

Sewer Fund – The Sewer Fund is used to account for the sewer operations in the Village.

Additionally, the Village reports the following nonmajor fund types:

Internal Service Fund (Equipment Rental Fund) - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise fund and the Village's internal service fund are charges to customers for use of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting:

The Village Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village clerk submits the budget in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. The Village Clerk presents a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgets and Budgetary Accounting: (Continued)

7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year. The budget was amended throughout the year at regular Village Council meetings.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at March 31, 2005 consist of property taxes, bridge taxes, and billings for user charged services, including fire protection and utility services. Taxes, fire protection and utility charges are deemed collectible in full.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through August 31. The Village bills and collects its own property taxes. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$300 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions GASB 34. The Village has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets. The Village will not retroactively capitalize the major infrastructure assets acquired on or before March 31, 2004 as permitted by GASB 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10 to 50
Buildings	25 to 50
Office equipment	5 to 10
Machinery and equipment	5 to 10
Vehicles	5
Improvements other than buildings	15 to 20

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2005, was \$69,295. Capital asset acquisitions in the governmental funds totaled \$136,374 for the year ended March 31, 2005. A summary of Governmental Fund Capital assets at March 31, 2005, follows:

Land	\$ 11,907
Buildings	1,302,629
Equipment	530,536
Internal Service Fund assets	138,120
Storm sewer – Construction in Progress	60,000
Roads	<u>49,023</u>
Total capital assets	2,092,215
Less accumulated depreciation	<u>(1,105,248)</u>
Net Governmental Fund Capital Assets	<u>\$ 986,967</u>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2005, was \$50,346. There were no capital asset acquisitions or disposals in the business-type funds for the year ended March 31, 2005. A summary of Business-Type Fund capital assets at March 31, 2005, follows:

Land	\$107,732
Lagoon system	391,647
Sewer system	<u>2,014,806</u>
Total capital assets	2,514,185
Less accumulated depreciation	<u>(1,161,797)</u>
Net Business-Type Fund Capital Assets	<u>\$1,352,388</u>

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$45,430
Public safety	11,439
Highways and public improvement	5,039
Equipment rental service	7,387
Total depreciation expense – governmental activities	<u>\$69,295</u>
Business-type activities:	
Utility	<u>\$50,346</u>

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

USE OF ESTIMATES:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGET COMPLIANCE:

During the year ended March 31, 2005, the following expenditures were in excess of the amount appropriated for the year:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
GENERAL FUND:			
Administration	\$34,750	\$35,645	\$ 895
Buildings and grounds	19,900	20,430	530
Police department	18,600	18,862	262
MAJOR STREET:			
Operating transfer out	6,250	7,696	1,446
Administrative	1,600	1,737	137
LOCAL STREET:			
Routine maintenance	12,200	12,375	175
Administrative	1,600	1,737	137

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 3 - CASH AND DEPOSITS:

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Village's deposits and investments are within the authorization as set forth by the Village of Fairgrove.

The carrying amount of cash and deposits with financial institutions of the Village of Fairgrove amounted to \$336,235 at March 31, 2005. Of the deposits, \$6,000 is set aside for future police equipment purchases and \$955 is set aside for future fire equipment purchases. The total bank balance as of the same date was \$346,024. Deposits with financial institutions are categorized as follows:

Amount insured by the FDIC	\$100,000
Uncollateralized	<u>246,024</u>
Total deposits with financial institutions	\$ <u>346,024</u>

All deposits categorized as uncollateralized are the property of the Village of Fairgrove.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2005.

NOTE 4 - LONG-TERM DEBT:

FIRE APPARATUS:

The Village is obligated under a lease with option to purchase agreement. The payments are \$29,525 per year. The lease is further explained in Note 9. The note balance is \$28,117 as of March 31, 2005. The note matures October 30, 2005.

(CONTINUED)

VILLAGE OF FAIRGROVE, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 5 - CONTINGENT LIABILITY:

The Village has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Village reimburses the State of Michigan for all benefits charged against it. Unemployment insurance claims are recognized as expense when incurred.

NOTE 6 - PENSION PLAN - DEFINED CONTRIBUTION:

The Village of Fairgrove contributes to the Manulife Plan for Governmental Employees, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such participant's account. As established by local ordinance, all and only elected officials of the Village of Fairgrove can participate in the pension plan from the date they are officially elected to their respective position. Contributions made by the Village for an employee vest immediately. An employee who leaves the employment of the Village is entitled to his or her contributions and the Village's contributions if vesting requirements are satisfied. As determined by local ordinance, each employee must contribute 7.65% of his or her gross earnings to the pension plan. The Village is required to contribute an amount equal to 7.65% of the employee's gross earnings.

The Village's total current year payroll was \$56,806 and the Village's total current year covered payroll was \$19,830, which is for elected officials only.

During the year, the Village's required and actual contributions amounted to \$1,860. Employees' actual contributions amounted to \$1,414. The Village's actual contributions were more than 7.65% because of adjustments on their account.

No pension provision changes occurred during the year that affected the required contributions to be made by the Village or its employees.

The Manulife Plan held no securities of the Village or other related parties during the year or as of the close of the fiscal year ended March 31, 2005.

VILLAGE OF FAIRGROVE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 7 - RISK MANAGEMENT:

General Liability:

Village of Fairgrove participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$1.86 million for real and personal property losses and \$5 million for liability losses. Village of Fairgrove is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Worker's Compensation:

Village of Fairgrove participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Employee Health Care:

Village of Fairgrove purchased commercial insurance coverage for its employees, including dependents.

NOTE 8 - CAPITAL LEASE:

The Village of Fairgrove is obligated under a lease with option to purchase agreement. Title to the equipment shall vest in lessee when lessee acquires and accepts the equipment. The lease is renewable until all rental payments are paid.

The total amount for the fire pumper and chassis is capitalized in the Village's General Fixed Assets schedule in the amount of \$202,716.

The following is a schedule, by years, of future minimum lease payments under the current capital lease:

<u>Year ending</u>	<u>Amounts</u>
<u>March 31,</u>	
2006	<u>\$28,117</u>
Total	<u>\$28,117</u>

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF FAIRGROVE, MICHIGAN
GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES	\$ 248,597	\$ 248,597	\$ 223,071	\$ (25,526)
EXPENDITURES	245,838	275,138	267,002	8,136
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>2,759</u>	<u>(26,541)</u>	<u>(43,931)</u>	<u>(17,390)</u>
FUND BALANCE - APRIL 1	136,799	136,799	136,799	
FUND BALANCE - MARCH 31	<u>\$ 139,558</u>	<u>\$ 110,258</u>	<u>\$ 92,868</u>	<u>\$ (17,390)</u>

**VILLAGE OF FAIRGROVE
MAJOR STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>			<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Intergovernmental	\$ 31,000	\$ 31,000	\$ 37,541	\$ 6,541
Miscellaneous	1,500	1,500	1,150	(350)
TOTAL REVENUE	<u>32,500</u>	<u>32,500</u>	<u>38,691</u>	<u>6,191</u>
EXPENDITURES:				
Construction	30,000	30,000	23,738	6,262
Routine maintenance	10,100	10,100	7,779	2,321
Traffic services	900	900	325	575
Winter maintenance	2,200	2,200	1,458	742
Administrative	1,600	1,600	1,737	(137)
TOTAL EXPENDITURES	<u>44,800</u>	<u>44,800</u>	<u>35,037</u>	<u>9,763</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(12,300)</u>	<u>(12,300)</u>	<u>3,654</u>	<u>15,954</u>
OTHER FINANCING SOURCES:				
Operating transfer out	(6,250)	(6,250)	(7,696)	(1,446)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(18,550)</u>	<u>(18,550)</u>	<u>(4,042)</u>	<u>14,508</u>
FUND BALANCE - APRIL 1	121,850	121,850	121,850	
FUND BALANCE - MARCH 31	<u>\$ 103,300</u>	<u>\$ 103,300</u>	<u>\$ 117,808</u>	<u>\$ 14,508</u>

**VILLAGE OF FAIRGROVE, MICHIGAN
LOCAL STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Intergovernmental	\$ 12,000	\$ 12,000	\$ 14,048	\$ 2,048
Miscellaneous	600	600	507	(93)
TOTAL REVENUE	<u>12,600</u>	<u>12,600</u>	<u>14,555</u>	<u>1,955</u>
EXPENDITURES:				
Construction	25,000	25,300	25,285	15
Routine maintenance	9,500	12,200	12,375	(175)
Traffic services	400			-
Winter maintenance	1,900	1,900	1,695	205
Administrative	1,600	1,600	1,737	(137)
TOTAL EXPENDITURES	<u>38,400</u>	<u>41,000</u>	<u>41,092</u>	<u>(92)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(25,800)</u>	<u>(28,400)</u>	<u>(26,537)</u>	<u>1,863</u>
OTHER FINANCING SOURCES:				
Operating transfer in	6,250	6,250	7,696	1,446
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(19,550)</u>	<u>(22,150)</u>	<u>(18,841)</u>	<u>3,309</u>
FUND BALANCE - APRIL 1	66,770	66,770	66,770	
FUND BALANCE - MARCH 31	<u>\$ 47,220</u>	<u>\$ 44,620</u>	<u>\$ 47,929</u>	<u>\$ 3,309</u>

VILLAGE OF FAIRGROVE, MICHIGAN
LOCAL STREET IMPROVEMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE -</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes	\$ 2,700	\$ 2,700	\$ 3,493	\$ 793
Miscellaneous	200	200	235	35
TOTAL REVENUE	2,900	2,900	3,728	828
FUND BALANCE - APRIL 1	23,537	23,537	23,537	
FUND BALANCE - MARCH 31	<u>\$ 26,437</u>	<u>\$ 26,437</u>	<u>\$ 27,265</u>	<u>\$ 828</u>

ADDITIONAL INFORMATION

VILLAGE OF FAIRGROVE, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property taxes	\$ 80,000	\$ 84,723	\$ 4,723
Trailer taxes	80	240	160
Penalties and interest on delinquent taxes	1,000	1,019	19
Total taxes	<u>81,080</u>	<u>85,982</u>	<u>4,902</u>
Intergovernmental:			
State revenue sharing	69,854	65,410	(4,444)
Total intergovernmental	<u>69,854</u>	<u>65,410</u>	<u>(4,444)</u>
Miscellaneous:			
Park donations	200	-	(200)
Fire protection & fire runs	91,863	65,297	(26,566)
Interest on investments	2,000	1,449	(551)
General department- Miscellaneous	3,600	4,933	1,333
Total miscellaneous	<u>97,663</u>	<u>71,679</u>	<u>(25,984)</u>
TOTAL REVENUE	<u>248,597</u>	<u>223,071</u>	<u>(25,526)</u>
EXPENDITURES:			
Administration:			
Salaries-Elected officials	14,200	14,179	21
Social security	100	122	(22)
Office supplies	1,800	1,673	127
Professional fees	2,700	3,006	(306)
Conference & workshop	400	221	179
Legal fees	1,800	1,681	119
Telephone	1,100	1,104	(4)
Publishing legal notices	900	862	38
Insurance and bonds	2,000	1,961	39
Memberships and dues	800	719	81
Miscellaneous	7,100	7,934	(834)
Tax statement preparation	350	323	27
Pension contributions	1,500	1,860	(360)
Total administration	<u>34,750</u>	<u>35,645</u>	<u>(895)</u>

VILLAGE OF FAIRGROVE, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (CONTINUED)			
Village buildings and grounds:			
Salaries	5,500	5,586	(86)
Employee benefits	1,000	1,893	(893)
Custodial supplies	200	99	101
Liability insurance	900	889	11
Electric-Buildings	3,800	3,693	107
Heat-Buildings	2,300	2,367	(67)
Repairs and maintenance	4,200	4,125	75
Contracted services	1,100	1,058	42
Miscellaneous expense	900	720	180
Total village buildings and grounds	<u>19,900</u>	<u>20,430</u>	<u>(530)</u>
Police department:			
Contracted services	<u>18,600</u>	<u>18,862</u>	<u>(262)</u>
Public works department:			
Labor	6,900	6,084	816
Employee benefits	3,000	2,061	939
Tools and supplies	200	120	80
Contracted services	63,616	60,000	3,616
Telephone	900	859	41
Street lighting	13,000	13,031	(31)
Park maintenance	2,000	1,768	232
Equipment rental	26,000	25,539	461
Insurance	400	414	(14)
Miscellaneous	400	250	150
Total public works department	<u>116,416</u>	<u>110,126</u>	<u>6,290</u>

(Continued)

VILLAGE OF FAIRGROVE, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (CONTINUED)			
Fire department:			
Wages	12,000	11,426	574
Employee benefits	700	874	(174)
Supplies and uniforms	9,400	6,227	3,173
Gas and oil	700	593	107
Insurance	3,100	3,020	80
Utilities	3,600	3,640	(40)
Repairs and maintenance	6,500	6,480	20
Dues and subscriptions	250	190	60
Conferences and education	1,500	1,767	(267)
Capital outlay	<u>47,722</u>	<u>47,722</u>	<u>-</u>
Total fire department	<u>85,472</u>	<u>81,939</u>	<u>3,533</u>
 TOTAL EXPENDITURES	 <u>275,138</u>	 <u>267,002</u>	 <u>8,136</u>
 EXCESS OF REVENUE (UNDER)			
EXPENDITURES	<u>(26,541)</u>	<u>(43,931)</u>	<u>(17,390)</u>
 FUND BALANCE - APRIL 1	 136,799	 136,799	
 FUND BALANCE - MARCH 31	 <u>\$ 110,258</u>	 <u>\$ 92,868</u>	 <u>\$ (17,390)</u>

VILLAGE OF FAIRGROVE, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2005

	TOTALS (MEMORANDUM ONLY)			
	MAJOR STREET	LOCAL STREET	LOCAL STREET IMPROVEMENT	MARCH 31, 2004
				2005
ASSETS				
Cash	\$ 112,429	\$ 45,444	\$ 23,772	\$ 181,645
Taxes receivable			3,493	3,493
Accounts receivable	5,507	2,515		8,022
TOTAL ASSETS	<u>\$ 117,936</u>	<u>\$ 47,959</u>	<u>\$ 27,265</u>	<u>\$ 193,160</u>
				<u>\$ 212,950</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable	\$ 128	\$ 30		\$ 158
TOTAL LIABILITIES:	<u>128</u>	<u>30</u>		<u>158</u>
				<u>793</u>
FUND EQUITY:				
Fund balance	117,808	47,929	\$ 27,265	193,002
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 117,936</u>	<u>\$ 47,959</u>	<u>\$ 27,265</u>	<u>\$ 193,160</u>
				<u>\$ 212,950</u>

VILLAGE OF FAIRGROVE, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
YEAR ENDED MARCH 31, 2005

				TOTALS (MEMORANDUM ONLY)
				MARCH 31, 20052004
REVENUE:				
Taxes				\$ 3,493 \$ 3,363
Intergovernmental				51,589 50,994
Miscellaneous				1,892 1,757
TOTAL REVENUE				56,974 56,114
EXPENDITURES:				
Streets				76,129 49,598
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES				(19,155) 6,516
OTHER FINANCING SOURCES (USES):				
Operating transfers in				7,696 7,636
Operating transfers out				(7,696) (7,636)
TOTAL OTHER FINANCING SOURCES (USES)				-
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				(19,155) 6,516
FUND BALANCE - APRIL 1				212,157 205,641
FUND BALANCE - MARCH 31				\$ 193,002 \$ 212,157

VILLAGE OF FAIRGROVE, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental:			
Gas and weight tax	\$ 25,000	\$ 30,783	\$ 5,783
County road improvement	6,000	6,758	758
Miscellaneous:			
Interest income	1,500	1,150	(350)
TOTAL REVENUE	<u>32,500</u>	<u>38,691</u>	<u>6,191</u>
EXPENDITURES:			
Construction	30,000	23,738	6,262
Routine maintenance	10,100	7,779	2,321
Traffic services	900	325	575
Winter maintenance	2,200	1,458	742
Administrative	1,600	1,737	(137)
TOTAL EXPENDITURES	<u>44,800</u>	<u>35,037</u>	<u>9,763</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(12,300)</u>	<u>3,654</u>	<u>15,954</u>
OTHER FINANCING (USES):			
Operating transfer out	(6,250)	(7,696)	(1,446)
EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER USES	<u>(18,550)</u>	<u>(4,042)</u>	<u>14,508</u>
FUND BALANCE - APRIL 1	121,850	121,850	
FUND BALANCE - MARCH 31	<u>\$ 103,300</u>	<u>\$ 117,808</u>	<u>\$ 14,508</u>

VILLAGE OF FAIRGROVE, MICHIGAN

**LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental:			
Gas and weight tax	\$ 12,000	\$ 14,048	\$ 2,048
Miscellaneous:			
Interest income	600	507	(93)
TOTAL REVENUE	<u>12,600</u>	<u>14,555</u>	<u>1,955</u>
EXPENDITURES:			
Construction	25,300	25,285	15
Routine maintenance	12,200	12,375	(175)
Winter maintenance	1,900	1,695	205
Administrative	<u>1,600</u>	<u>1,737</u>	<u>(137)</u>
TOTAL EXPENDITURES	<u>41,000</u>	<u>41,092</u>	<u>(92)</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(28,400)</u>	<u>(26,537)</u>	<u>1,863</u>
OTHER FINANCING SOURCES:			
Operating transfer in	6,250	7,696	1,446
EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES	<u>(22,150)</u>	<u>(18,841)</u>	<u>3,309</u>
FUND BALANCE - APRIL 1	66,770	66,770	
FUND BALANCE - MARCH 31	<u>\$ 44,620</u>	<u>\$ 47,929</u>	<u>\$ 3,309</u>

VILLAGE OF FAIRGROVE, MICHIGAN

LOCAL STREET IMPROVEMENT FUND

STATEMENT OF REVENUE, EXPENDITURES

AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Bridge tax	\$ 2,700	\$ 3,493	\$ 793
Miscellaneous:			
Interest income	<u>200</u>	<u>235</u>	<u>35</u>
TOTAL REVENUE	2,900	3,728	828
 FUND BALANCE - APRIL 1	 23,537	 23,537	
 FUND BALANCE - MARCH 31	 <u>\$ 26,437</u>	 <u>\$ 27,265</u>	 <u>\$ 828</u>

VILLAGE OF FAIRGROVE, MICHIGAN

**MAJOR STREET FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Construction	<u>\$ 30,000</u>	<u>\$ 23,738</u>	<u>\$ 6,262</u>
Routine Maintenance:			
Labor		465	
Employee benefits		158	
Materials & supplies		2,117	
Contracted services		2,638	
Equipment rental		2,401	
Total routine maintenance	<u>10,100</u>	<u>7,779</u>	<u>2,321</u>
Traffic services:			
Labor		58	
Employee benefits		20	
Material and supplies		247	
Total traffic services	<u>900</u>	<u>325</u>	<u>575</u>
Winter maintenance:			
Labor		278	
Employee benefits		94	
Equipment rental		1,086	
Total winter maintenance	<u>2,200</u>	<u>1,458</u>	<u>742</u>
Administrative:			
Salaries		1,093	
Professional fees		644	
Total administrative	<u>1,600</u>	<u>1,737</u>	<u>(137)</u>
TOTAL EXPENDITURES	<u>\$ 44,800</u>	<u>\$ 35,037</u>	<u>\$ 9,763</u>

VILLAGE OF FAIRGROVE, MICHIGAN

**LOCAL STREET FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Construction	<u>\$ 25,300</u>	<u>\$ 25,285</u>	<u>\$ 15</u>
Routine Maintenance:			
Labor		1,920	
Employee benefits		650	
Materials & supplies		1,454	
Contracted services		2,850	
Equipment rental		5,501	
Total routine maintenance	<u>12,200</u>	<u>12,375</u>	<u>(175)</u>
Winter maintenance:			
Labor		316	
Employee benefits		107	
Equipment rental		1,272	
Total winter maintenance	<u>1,900</u>	<u>1,695</u>	<u>205</u>
Administrative:			
Salaries		1,093	
Professional fees		644	
Total administrative	<u>1,600</u>	<u>1,737</u>	<u>(137)</u>
TOTAL EXPENDITURES	<u>\$ 41,000</u>	<u>\$ 41,092</u>	<u>\$ (92)</u>